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BEFORE THE ARIZONA CORPORATIC

COMMISSIONERS

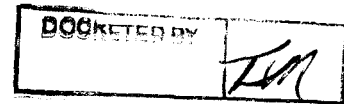
BOB STUMP - Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

2013 MAY -2 P 1:39

ARIZONA CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission  
**DOCKETED**

MAY 2 2013



IN THE MATTER OF THE APPLICATION OF  
TUSAYAN WATER DEVELOPMENT  
ASSOCIATION, INC. FOR ESTABLISHMENT  
OF RATES FOR WATER SERVICE.

DOCKET NO. W-02350A-10-0163

IN THE MATTER OF THE APPLICATION OF  
ANASAZI WATER CO., LLC FOR  
ADJUDICATION "NOT A PUBLIC SERVICE  
CORPORATION."

DOCKET NO. W-20765A-10-0432

IN THE MATTER OF THE APPLICATION OF  
HYDRO-RESOURCES, INC. FOR  
ADJUDICATION "NOT A PUBLIC SERVICE  
CORPORATION."

DOCKET NO. W-20770A-10-0473

**PROCEDURAL ORDER**

**BY THE COMMISSION:**

On April 29, 2010, Tusayan Water Development Association, Inc. ("Tusayan") filed with the Arizona Corporation Commission ("Commission"), in Docket No. W-02350A-10-0163 ("Tusayan Docket"), a rate application using a test year ending December 31, 2009.

Since that time, through a series of events more fully described in prior Procedural Orders issued in this matter, processing of Tusayan's rate application has been suspended; Tusayan has been deemed to have filed an adjudication application; Tusayan's adjudication application has been consolidated with adjudication applications filed by Hydro-Resources, Inc. ("Hydro") and Anasazi Water Company, LLC ("Anasazi"); intervention has been granted to Tusayan Ventures, LLC ("Tusayan Ventures") and to the Town of Tusayan ("Town"); the Commission's Utilities Division ("Staff") has found all three adjudication applications to be sufficient; and late intervention has been granted to Squire Motor Inns, Incorporated ("Squire"). In addition, a hearing scheduled to commence on September 9, 2011, instead proceeded only for public comment and a procedural conference, and a September 21, 2011, hearing date was vacated to allow for settlement discussions. The parties have been working to finalize the language of a Settlement Agreement since approximately October 2011.

1 Procedural conferences have been held on October 7, 2011; November 21, 2011; January 17,  
2 2012; March 19, 2012; and April 30, 2012. At these procedural conferences, the parties have  
3 provided progress reports and have requested additional time to work out the intricacies of the  
4 Settlement Agreement and another separate agreement ("Transfer Agreement") regarding the transfer  
5 of property and rights to Hydro, whom the parties intend to become the single water utility and  
6 CC&N holder for the area. The parties have reported that all parties are expected to enter into the  
7 Settlement Agreement.

8 On January 17, 2012, a Procedural Order was issued scheduling a procedural conference to be  
9 held on March 19, 2012; requiring the parties to ensure that copies of the Settlement Agreement are  
10 filed promptly upon execution; and requiring Tusayan and Hydro to file their respective CC&N-  
11 related application/s within 14 days following the execution of the Settlement Agreement.

12 At the procedural conference held on March 19, 2012, the parties reported that substantial  
13 progress had continued on the Settlement Agreement, but that because of several issues recently  
14 raised, the parties were still working out the language of the Settlement Agreement and preferred not  
15 yet to discuss establishment of a procedural schedule. Hydro and Anasazi also had not yet completed  
16 the Transfer Agreement. The parties indicated that they would like to have another procedural  
17 conference scheduled at the end of April, at which time the parties expected to be ready to propose a  
18 procedural schedule. A Procedural Order was issued on March 19, 2012, scheduling a procedural  
19 conference to be held on April 30, 2012.

20 At the procedural conference held on April 30, 2012, the parties reported that although there  
21 had been a brief impasse in their negotiations, they had again reached a conceptual agreement; would  
22 be holding a meeting to iron out remaining language; and still anticipated entering into a global  
23 Settlement Agreement. Hydro reported that the service area to be proposed in its upcoming CC&N  
24 application would be different than originally anticipated, as the "Red Feather properties" would be  
25 carved out<sup>1</sup> and some other properties included, but that Hydro's preparations were well underway.  
26 Hydro also reported that the current price disparities for water service in the proposed service area  
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28 <sup>1</sup> It was reported that the Red Feather properties would be providing water services to themselves and no others.

1 might be eliminated before Hydro acquired its CC&N. Hydro requested to be provided 30 days after  
2 execution of the Settlement Agreement to file its CC&N application, because Hydro was concerned  
3 that the 14-day period previously established might not be sufficient. After brief discussion, it was  
4 determined that 45 days would be a more appropriate time period.

5 Although a global settlement appeared to be imminent when the parties last provided updates  
6 in April 2012, almost a year passed without the filing of either a Settlement Agreement or an update  
7 as to the status of this matter.

8 On March 29, 2013, a Procedural Order was issued requiring each party, by April 26, 2013, to  
9 make a filing providing an update as to the status of settlement efforts, the party's position regarding  
10 the best process for going forward and reaching resolution in this matter, and any additional  
11 information the party believed to be relevant regarding the current or future state of water service in  
12 the affected area.

13 On April 25, 2013, the Town filed its Status Report, stating that the Town has not been  
14 involved in any settlement negotiations since April 2012, that the Town believed at that time that the  
15 Town council was inclined to approve a Settlement Agreement, that the Town desires to have the  
16 latest draft of the Settlement Agreement circulated for review by all parties, and that the Town  
17 attorney will meet with the Town Council to obtain direction concerning the Commission's  
18 scheduling of hearings if the draft Settlement Agreement is not circulated by May 1, 2013.<sup>2</sup>

19 On April 26, 2013, a Joint Status Report was filed by Hydro, Anasazi, and Tusayan, reporting  
20 that they have been working out the details of the Transfer Agreement and expect the Transfer  
21 Agreement to be executed in May 2013, that they expect to execute the Settlement Agreement in May  
22 2013, that they expect to docket the Transfer Agreement and Settlement Agreement by approximately  
23 the end of May 2013, and that Hydro has been working on its CC&N application. They suggested  
24 that monthly written status reports be required, and that further procedural conferences be held if  
25 necessary, to keep the parties focused and on track. The parties also reported that certain customers  
26 formerly provided water by Anasazi are now being provided water by Hydro, at Hydro's rates, and

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28 <sup>2</sup> The Town also filed a request to change distribution list, on April 3, 2013, as the Town Manager has changed, and the address for the Town's attorney has also changed.

1 that Tusayan will provide continuous service until a firm takeover date is established in the CC&N  
2 proceedings for Tusayan and Hydro.

3 On April 26, 2013, T Ventures filed its status report, stating that it has had little contact with  
4 the other parties since the last procedural conference, suggesting that a hearing be scheduled if the  
5 other parties' filings do not indicate that the Settlement Agreement will be completed in the near  
6 future, and asserting that the Tusayan area needs flexibility to determine whether the citizens of the  
7 area would be best served by Hydro, Anasazi, Tusayan, the Town, or some combination thereof. It is  
8 noted that T Ventures identified itself in the filing as "Tusayan Ventures, Inc." as opposed to  
9 "Tusayan Ventures LLC," as it was identified previously. If an organizational change from an LLC  
10 to a corporation has been completed, T Ventures should make a filing supporting that change.

11 On April 26, 2013, Staff filed its Status Update, stating that it has not participated in  
12 settlement discussions with the parties, suggesting that the parties be required to file monthly updates  
13 regarding the status of their settlement negotiations, and suggesting that a hearing be scheduled  
14 concerning the adjudication applications if a Settlement Agreement is not docketed within 180 days.

15 On April 26, 2013, Squire filed its Status Report stating that it is prepared to sign the  
16 Settlement Agreement, that it is also ready to execute a revised water sales agreement between Squire  
17 and Hydro to provide Hydro long-term access to Squire's well water, and that settlement is the best  
18 way for this complex matter to be resolved. Squire also suggested that a procedural conference be set  
19 for early June, that the parties be directed to be prepared to schedule a firm hearing date at the  
20 procedural conference, and that the parties be required to file any Settlement Agreement at least one  
21 week before the procedural conference.

22 After considering the parties' somewhat disparate suggestions for moving forward, it is  
23 reasonable and appropriate to require monthly status reports, due on the first business day of each  
24 month for the next three months, to provide the parties additional time to finalize, execute, and docket  
25 the Settlement Agreement and the Transfer Agreement and for Tusayan and Hydro to complete an  
26 application or applications regarding CC&N authority. Additionally, it is appropriate to schedule a  
27 procedural conference to be held in the latter part of August, at which a hearing date for this matter  
28 and additional procedural requirements and deadlines will be discussed and may be established.

1 IT IS THEREFORE ORDERED that **each party** to this matter shall, by **June 3, July 1, and**  
2 **August 1, 2013**, file an **update** regarding the status of this matter, including, at a minimum, the  
3 following:

- 4 1. The party's intentions regarding entering into the Settlement Agreement;
- 5 2. The party's opinion, if any, regarding when the Settlement Agreement will be completed,  
6 executed, and filed;
- 7 3. For Tusayan and Hydro, a projected date for the filing of a CC&N-related application or  
8 applications; and
- 9 4. The party's proposal for the scheduling of an evidentiary hearing for this matter and the  
10 establishment of additional procedural requirements and deadlines.

11 IT IS FURTHER ORDERED that a **procedural conference** shall be held on **August 20,**  
12 **2013, at 1:00 p.m.**, in Hearing Room No. 2 at the Commission's offices at 1200 West Washington  
13 Street, Phoenix, Arizona 85007. Each party shall be physically present at the procedural conference  
14 and prepared to discuss the scheduling of an evidentiary hearing and the establishment of additional  
15 procedural requirements and deadlines for this matter.

16 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,  
17 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at  
18 hearing.

19 DATED this 2<sup>nd</sup> day of May, 2013.

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21   
22 SARAH N. HARPRING  
ADMINISTRATIVE LAW JUDGE

23 Copies of the foregoing mailed/delivered  
24 this 2<sup>nd</sup> day of May, 2013, to:

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